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Brazil

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Official Name: Federative Republic of Brazil

PROFILE

People

Nationality: *Noun and adjective*—Brazilian(s). **Population** (1985): 135 million. **Annual growth rate** (1982): 2.3%. **Density:** 14.5 per sq. km. (37 sq. mi.). **Ethnic groups:** Portuguese, Italian, German, Japanese, African, American Indian; 55% white, 38% mixed, 6% black, remainder Indian or Asian. **Religion:** Roman Catholic (90%). **Languages:** Portuguese (official), English. **Education:** *Literacy*—76% of adult population. **Health:** *Infant mortality rate* (1981)—92/1,000. *Life expectancy* (1981)—62.8 yrs. **Work force** (50 million, 1984): *Agriculture*—35%. *Industry*—25%. *Services*—40%. *Trade Union membership*—about 6 million.

Geography

Area: 8,511,965 sq. km. (3,290,000 sq. mi.). **Cities:** *Capital*—Brasilia (pop. 1.4 million, 1983). *Other cities*—Sao Paulo (8.5 million), Rio de Janeiro (5.1 million), Belo Horizonte (1.86 million), Salvador (1.5 million), Fortaleza (1.3 million), Recife (1.2 million), Porto Alegre (1.1 million), Novo Iguacu (1.1 million), Curitiba (1.0 million). **Terrain:** Dense forest; semiarid scrubland; rugged hills and mountains; rolling plains; and coastal strip. **Climate:** Mostly tropical or semitropical with temperate zone in the south.

Government

Type: Federal republic. **Independence:** September 7, 1822. **Constitution:** January 24, 1967.

Branches: *Executive*—president (chief of state and head of government) elected to a single 6-yr. term. *Legislative*—Senate (69 members elected to 8-yr. terms), Chamber of Deputies (479 members elected to 4-yr. terms). *Judicial*—Supreme Federal Tribunal.

Political parties: Party of the Brazilian Democratic Movement (PMDB), Liberal Front Party (PFL), Democratic Social Party (PDS), Democratic Workers Party (PDT), Workers Party (PT), Brazilian Labor Party (PTB). **Suffrage:** Compulsory over 18.

Subdivisions: 23 states, 3 territories, federal district (Brasilia).

Defense: 7% of government budget.

Flag: A yellow diamond on a green field, a blue globe with 23 white stars and a band with "*Ordem e Progresso*" centered on the diamond. The globe represents the sky and the vastness of the states and capital, and green and yellow signify forest and mineral wealth.

Economy

GDP (1984): $218 billion (agriculture 12%, industry 38%, services 50%). **Annual growth rate** (1984): +4%. **Per capita GDP** (1984): $1,645.

Natural resources: Iron ore, manganese, bauxite, nickel, uranium, gemstones.

Agriculture: *Products*—coffee, soybeans, sugarcane, cocoa, rice, beef, corn, oranges. *Land*—17% arable, cultivable, or pasture.

Industry: *Types*—steel, chemicals, petrochemicals, machinery, motor vehicles, consumer durables, cement, lumber, shipbuilding.

Trade (1984): *Exports*—$27 billion; manufactures 67.5%; primary products, 32.5%. *Major markets* (1983)—US 23%, FRG 5.2%, Japan 6.5%, Netherlands 5.7%, Argentina 3.0%, USSR 3.0%. *Imports*—$13.9 billion; crude oil 48%, capital goods 18%, raw materials 26%, consumer goods 4.5%. *Major non-oil suppliers*—US 16%, Japan 6%, FRG 5%, Italy 3%, Argentina 3%.

Official exchange rate (July 1985): 6.420 cruzeiros = US$1 (changes frequently).

Fiscal year: Calendar year.

Foreign Investment (registered with Central Bank, 1983): $22.3 billion. *Sources*—US $7.2 billion, FRG $2.6 billion, Switzerland $1.9 billion, Japan $1.8 billion.

Membership in International Organizations

UN and some of its specialized agencies, Organization of American States (OAS), Rio Pact, Latin American Integration Association (ALADI), International Sugar Organization (ISO), International Cocoa Organization (ICCO), INTELSAT, Group of 77.

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Niterói
RIO DE JANEIRO
Rio de Janeiro
São Paulo
Santos
Foz do Iguaçu
PARANA
Curitiba
Barracão
SANTA CATARINA
RIO GRANDE DO SUL
Osório
Pelotas
Brazil
International boundary
Estado or território boundary
National capital
Estado or territorio capital
Railroad
Paved road
Unpaved road
Airport
500 Kilometers
500 Miles

PEOPLE

With a 1985 population of 135 million, Brazil is the most populous country in Latin American and ranks sixth in the world. Most of the people live in the south-central area, which includes the industrial cities of Sao Paulo, Rio de Janeiro, and Belo Horizonte. Urban growth has been rapid; by 1984 the urban sector included more than two-thirds of the total population. This increasing trend toward urbanization has aided economic development but, at the same time, has created serious social and political stresses in the major cities.

Four ethnic groups make up the Brazilian population: the indigenous Indians; the Portuguese, who began colonizing in the 16th century; Africans brought to Brazil as slaves; and various European and oriental immigrant groups that have settled in Brazil since the mid-19th century. The Portuguese who colonized Brazil often intermarried with the Indians, and miscegenation with slaves was common later. Though the basic ethnic stock of Brazil is Portuguese, and most Brazilians consider themselves "white," the African and Indian influence in Brazil's racial makeup is significant.

From 1875 until 1960, about 5 million Europeans emigrated to Brazil, settling mainly in the four southern states of Sao Paulo, Parana, Santa Catarina, and Rio Grando do Sul. In order of numbers, after the Portuguese, the immigrants have come from Italy, Germany, Spain, Japan, Poland, and the Middle East. The largest Japanese community in the world, outside of Japan, is in Sao Paulo. Despite class distinctions, national solidarity is strong, and racial friction is minimal.

Indigenous full-blooded Indians, located mainly in the northern and western border regions and in the upper Amazon Basin, constitute less than 1% of the population. Their numbers are rapidly declining as contact with the outside world and commercial expansion into the interior increase. Brazilian Government programs to establish reservations and to provide other forms of assistance have been in effect for years, but problems resulting partly from limited resources and poorly trained personnel have been the subject of controversy.

Brazil is the only Portuguese-speaking nation in the Americas. English is spoken by many of the well-educated. About 90% of the population belong to the Roman Catholic Church, although Protestantism and spiritualism have many adherents.

GEOGRAPHY

Brazil, occupying the east-central part of South America, spreads over almost one-half of the continent. It is the fifth largest country in the world and shares common borders with every South American country except Ecuador and Chile. Brazil's Atlantic coastline is more than 7,200 kilometers (4,500 mi.) long. More than 90% of the population live on 10% of the land, a 320-kilometer-wide (200 mi.) zone bordering the South Atlantic Ocean south of Fortaleza, in Ceara state, to the Uruguayan border.

The country is divided into four topographic regions:

- The densely forested northern lowlands covering about one-half of the interior and containing the undeveloped Amazon River basin;
- The semiarid scrubland of the northeast;
- The rugged hills and mountains interspersed with gently rolling plains of the central west and south; and
- A narrow coastal belt.

Although about one-half of Brazil is less than 194 meters (650 ft.) above sea level, most populous areas are higher. Only about 4% of the country has an altitude over 900 meters (3,000 ft.). Many of the highest areas are located close to the coast, and many rivers have their sources not far from the Atlantic Ocean. For this reason, some rivers drain away from the coast northward or westward.

About one-half of Brazil is covered by forests. The largest rainforest in the world is located in the Amazon Basin and is so impressive in its character and extent that the entire Amazon region is identified with it. Eastern Brazil has tropical, semideciduous forest and soil of limited agricultural value, because the nutrients in its small amount of humus usually are exhausted after only a few years of farming. The softwood forests of the southern highlands provide most of the construction timber used in Brazil. Fears that these forests are being cut down so fast that they are in danger of extinction within the next few decades have led to the emergence of a small, but increasingly vocal, environmental movement. The thorn forests of the northeastern interior contain dry, cactus-infested, drought-resistent vegetation, its sparseness due as much to overgrazing and overcultivation as to the unreliability of rain.

Central Brazil—the states of Mato Grosso, Goias, and parts of Minas Gerais and Sao Paulo—is largely grassland, with only scattered trees. Unlike the grassy plains of North America, the Brazilian grasslands are sterile, and only grass flourishes there.

Brazil's northern and coastal regions have a warm, humid climate with moderate to heavy rainfall. June through August is normally cool and dry; the remaining months are warm and wet. Freezing temperatures occur occasionally in the southernmost part of the country. The west-central region, containing the capital, Brasilia, is warm and dry much of the year, but also has an extended wet season.

HISTORY

Brazil was discovered in 1500 by the Portuguese navigator Pedro Cabral. It was ruled from Lisbon as a colony until 1808 when the Portuguese royal family, having fled from Napoleon's army, established the seat of government first in Salvador and then in Rio de Janeiro. Brazil became a kingdom under Dom Joao VI, who returned to Portugal in 1821 leaving his son, Dom Pedro I, as regent. With the people's support, Dom Pedro I declared Brazil's independence on September 7, 1822, and became emperor. Portugal was unable to offer much resistance. The second emperor, Dom Pedro II, ruled from 1831 to 1889 when a federal republic was established.

From 1889 to 1930, political activity was contained within the framework of a constitutional democracy characterized by a limited franchise, with the presidency alternating between the dominant states of Sao Paulo and Minas Gerais. This period of Brazilian history ended with a military coup that put into power Getulio Vargas, Brazil's dictator until 1945. From 1945 to 1961, Eurico Dutra, Vargas, Juscelino Kubitschek, and Janio Quadros were the elected presidents. When Quadros resigned in 1961, he was succeeded by Vice President Joao Goulart.

Goulart's years in office were marked by high inflation, economic stagnation, and increasing domination by radical political philosophies. Certain elements of the armed forces, alarmed by these developments, staged a coup on March 31, 1964. The coup leaders chose Army Marshal Humberto Castello Branco to be president, and he was duly elected by the National Congress on April 11, 1964. Castello Branco was followed in the presidency by retired

Army Marshal Arthur da Costa e Silva (1967–1969), Gen. Emilio Garrastazu Medici (1969–1974), and retired Gen. Ernesto Geisel (1974–1979). Geisel began the political liberalization process, known as *abertura*, or "opening," which was further carried forward by his successor, Joao Baptista de Oliveira Figueiredo (1979–1985). Figueiredo not only permitted the return to Brazil of politicians who had been exiled or banned during the 1960s and early 1970s, but allowed them in 1982 to run for state and federal offices including the first direct elections for governor since 1966. Direct elections for President were still not permitted; and President Figueiredo's successor was chosen by an electoral college consisting of all members of Congress and six delegates chosen from each state by the majority party in the state legislature. In January 1985, the electoral college elected Tancredo Neves from the opposition PMDB running against the candidate of the government party, federal deputy Paulo Maluf. However, Tancredo Neves fell ill before he was to be inaugurated on March 15, and died on April 21, 1985. His Vice President, the former Senator Jose Sarney, who assumed office on inauguration day, became president upon the death of Tancredo Neves.

GOVERNMENT

According to the constitution promulgated January 24, 1967, Brazil is a federative republic with broad powers granted to the federal government. At the national level, the constitution establishes a presidential system with three "independent and harmonious powers"—executive, legislative, and judicial. It forbids delegation of powers and provides for a series of checks and balances.

In the past, the president (chief of state and head of government) was elected to a 6-year term by an electoral college composed of members of congress and representatives of state legislatures. The constitution, however, has been amended to provide for popular election of the president. Other structural changes are likely, if, as anticipated, a constitutional convention is held in 1987. The president is assisted by a vice president (elected with the president), a cabinet (presidentially appointed), and specialized administrative and advisory bodies.

The bicameral National Congress consists of 69 senators (three for each state) elected to 8-year terms, and 479 deputies elected at-large in each state and territory to 4-year terms on a basis of proportional representation weighted; however, in favor of less populous states. The next congressional elections are scheduled for November 1986.

The apex of the judicial system is the Supreme Federal Tribunal. Its 11 justices, including the chief justice, are appointed by the president to serve until age 70.

Brazil is divided administratively into 23 states, 3 territories, and a federal district, Brasilia. The framework of state and local governments closely parallels that of the federal government. Governors, elected for 4-year terms, have far more limited powers than do their counterparts in the United States. This is due to the highly centralized nature of the Brazilian system and to a constitution that reserves to the central government all powers not specifically delegated to the states. The limited taxing authority granted to states and municipalities—the only territorial subdivisions of the states—has tended to further weaken their power.

The three remote, frontier territories are administered by governors appointed by the federal government. The federal district, moved from Rio de Janeiro to Brasilia in April 1960, is ruled by a governor appointed by the President and approved by the Senate.

Principal Government Officials

President—José **Sarney**
Vice President—Vacant
President's Civil Household—Jose Hugo **Castello Branco**
President's Military Household—Gen. Rubens **Bayna Denys**

Cabinet

Foreign Affairs—Olavo **Setubal**
Justice—Fernando **Lyra**
Finance—Dilson **Funaro**
Education—Marco **Maciel**
Labor—Almir **Pazzianotto**
Health—Carlos **Sant'anna**
Welfare and Social Security—Waldir **Pires**
Communications—Antonio Carlos **Magalhaes**
Mines and Energy—Aureliano **Chaves**
Industry and Commerce—Robert **Gusmao**
Planning Secretary of the Presidency—Joao **Sayad**
Agriculture—Pedro **Simon**
Transportation—Affonso **Camargo**
Interior—Ronaldo **Costa Couto**
Army—Gen. Leonidas das Pires **Goncalves**
Navy—Adm. Henrique **Saboia**
Aeronautics—Brig. Gen. Octavio **Moreira Lima**
National Intelligence Service—Gen. Ivan **de Sousa Mendes**
Science and Technology—Renato **Archer**
Land Affairs—Nelson **Ribeiro**
Administration—Aluizio **Alves**
Culture—Aluisio **Pinenta**
Debureaucratization—Paulo **Lustosa**

Brazil maintains an embassy in the United States at 3006 Massachusetts Avenue NW., Washington, D.C. 20008 (tel. 202–745–2700). Consulates General are at New Orleans, New York, Chicago, and Los Angeles, and Consulates are at Miami, Houston, Dallas, and San Francisco.

POLITICAL CONDITIONS

After the military came to power in 1964, the 13 existing political parties were abolished, and two political organizations, the pro-government National Renewal Alliance (ARENA) and the opposition Brazilian Democratic Movement (MDB), were formed. More than a decade later, in 1979, under an administration-sponsored bill approved by the congress, this two-party system was abolished, and a multiparty system was allowed to emerge.

Five parties were established under the party reorganization law:

- The Democratic Social Party (PDS) is an outgrowth of the old government party, ARENA. Its party platform was liberalized in an attempt to attract the politically important urban population, though its real strength continues to be in rural areas.
- The Party of the Brazilian Democratic Movement (PMDB) is the declared continuation of the now-extinct official opposition party, the MDB. Its early support came mainly from the growing urban middle class, intellectuals, and workers. The party platform advocates major modifications in the Brazilian economy, especially in the

areas of income distribution, advancement of disadvantaged groups, and full restoration of political democracy. Its forceful advocacy of direct presidential elections in 1985—under the slogan *direitas ja*, or "direct elections now,"—won it even more adherents. It is now the largest party in the country, and after years in the opposition the senior partner in the coalition which controls the government.

- The pre-1964 Brazilian Labor Party (PTB) experienced internal convulsions in its effort to reestablish itself. A power struggle between two opposing factions led to the formation by Rio state governor, Leonel Brizola, of the Democratic Workers Party (PDT). The PDT is vaguely modeled after European Social Democratic parties. The PDT is more conservative.
- The Workers Party (PT) competes with the PMDB and PDT for the support of industrial workers. The PT has also attracted some Brazilian leftists, liberal professionals, intellectuals, and labor leaders.
- The Liberal Front Party, led by former Vice President Aureliano Chaves, split off from the PDS in 1984 in the course of the presidential campaign. It is conservative and is the second most important element in the Sarney government.

Brazil's small communist parties were illegal prior to 1985, but are expected to gain legal status early in the Sarney administration.

Citizens may participate in government through suffrage, political party affiliation, membership in interest groups, and direct approach to office holders. The media freely express a full range of political views.

ECONOMY

Brazil's diversified economy ranges from the primitive Amazon region to thriving Sao Paulo, the largest and most modern industrial complex in Latin America. Industrial development has been concentrated in the southeastern states of Minas Gerais, Rio de Janeiro, Sao Paulo, Parana, and Rio Grande do Sul. The Amazon Basin, comprising the vast north-central and western areas, has been unexploited until recently.

In 1984, Brazil's gross domestic product (GDP) was $218 billion, with an estimated per capita GDP of $1,645. During the 1950s, the GDP grew at an annual rate of more than 6%. It slowed from 1963 to 1965 but averaged above 11% annually during the "Economic Miracle" from 1968 to 1973. Growth slowed again to an annual rate of 6% between 1974–80, largely as a result of oil price increases. From 1981 to 1983, real growth was either negative (1981, −3.5%; 1983, −3.2%) or negligible (1% in 1982). In 1984, the economy began to pick up, and GDP grew by an estimated 4%. Brazil has the eighth largest economy in the free world.

Agriculture, Industry, and Natural Resources

The agricultural sector employs 35% of Brazil's population and accounts for about 12% of its GDP and almost 40% of the country's exports. Except for wheat, Brazil is largely self-sufficient in food. The country is the world's leading exporter of coffee; the second largest exporter of cocoa and soybeans; and a major exporter of meat, sugar, and cotton. During the past decade, in an effort to expand its agricultural exports, Brazil began developing new areas for cultivation. Most important of these is soybean production in the states of Mato Grosso do Sul, Rio Grande do Sul, Sao Paulo, and Parana. Brazil has also sought to expand its cultivation of sugarcane, the raw material in the production of ethyl alcohol fuel. Though in need of the revenues that agricultural exports bring, the new Brazilian Government is likely to focus its attention on production for the domestic market.

Brazil's power, transportation, and communications systems have improved substantially in the past few years, providing a necessary base for economic development. The country has a large and increasingly sophisticated industrial base, ranging from basic industries such as steel, chemicals, and petrochemicals to finished consumer goods and an infant informatics industry. Within the past decade, industry has been the greatest contributor to economic growth. Today, it accounts for almost 35% of the GDP and 60% of exports.

Brazil is one of the world's leading producers of hydroelectric power, with a total firm potential of 106,500 megawatts. Already existing hydroelectric plants provide 90% of the nation's electricity. Two large new hydroelectric projects, the 12,600-megawatt Itaipu Dam on the Parana River—the world's largest dam—and the Tucurui Dam in Para in northeast Brazil, have begun operations. Much of their huge potential will be tapped only after further growth of Brazil's industrial sector.

Proven mineral resources are extensive and increasing with additional exploration. Iron and manganese reserves are especially large, providing important sources of industrial raw materials and export earnings. Deposits of nickel, tin, chromite, bauxite, beryllium, copper, lead, tungsten, zinc, and gold, as well as lesser known minerals, are available. Exploration for new domestic petroleum sources continues. The search is especially important since Brazil's present bill for net imports of oil (that is, imports less re-exports) averages more than $400 million per month. Also in short supply is high-quality coal, especially of the coking grade, which the country's burgeoning steel industry requires. However, the government is beginning to implement coal extraction and gasification projects to tap Brazil's ample deposits of low-grade coal in the south.

Brazil's first commercial nuclear reactor, Angra I, began operations in early 1982. This reactor, a 626-megawatt pressurized water reactor built by Westinghouse, is located about 120 kilometers southwest of Rio de Janeiro. Site preparations began in 1982 for Angra II and Angra III, pressurized water reactors with a combined capacity of 1,245 megawatts. These are the first of eight nuclear plants envisioned under the F.R.G.-Brazil Nuclear Accord of 1975. However, troubles with Angra I, a lower-than-expected rise in electricity demand, and the scarcity of investment funds have all combined to slow nuclear plans.

The Brazilian Government's ambitious program to reduce dependence on imported oil has begun to pay off. Imports previously accounted for more than 70% of the country's oil needs; today they account for only 50%, and that figure is expected to continue to decline. In addition to developing hydroelectric, nuclear, and coal resources, Brazil has become a world leader in the development of alcohol fuel, derived from sugarcane. Brazilian gasoline is a mixture containing up to 22% ethyl alcohol, and the government's objective is to convert the country's automobiles to 100% alcohol power. Brazilan auto manufacturers began large-scale production of alcohol-powered cars in 1979, and today well over 1.5 million are on the road. More than 80% of all vehicles (and 94% of all passenger cars) sold in 1984 were alcohol-powered. The substitution of alcohol for petroleum has saved Brazil nearly $6 billion since 1975.

Economic Strategy

Following the 1964 revolution, the Brazilian Government focused on three major economic goals: high growth rates, inflation control, and gradual improvement of the poorest sectors of the economy. The first years of the military government were a period of economic stabilization and basic institutional reform, with emphasis on controlling inflation rather than growth. By reducing the central government deficit, controlling the money supply, and restricting real wages, the new regime was able to more than halve the inflation rate from more than 90% in 1964 to 25% by 1967.

During this period, Brazil also developed a system of "monetary correction"—the periodic adjustment of key prices (e.g., wages, financial instruments, utility rates, and interest on savings and loans) roughly in proportion to increases in the overall price index. This mechanism allowed the economy to tolerate fluctuations in the inflation rate without serious distortions in relative prices. Application of the correction concept to the exchange rate (the "crawling peg")—together with government programs to encourage expansion and diversification of exports—led to a marked improvement in the balance of payments and helped restore Brazil's position in international financial markets.

By 1968, economic stabilization programs had succeeded enough to warrant an expansionary policy, focusing especially on industrial growth. During the next 6 years (1968–73), real economic growth averaged more than 11% annually. The government provided economic facilities—transport, power, telecommunications—for such capital goods industries as iron and steel where the scale of efficient production is especially large. In the private sector, the government encouraged exports through fiscal incentives and subsidies, not only as a means to improve its balance of payments but also as a way to broaden the scale and improve the efficiency of industrial operations. Some of these policies would come back to bedevil the government's economic planners when oil prices skyrocketed and the loans taken out to finance the huge development projects fell due, could not be paid, and had to be refinanced at high rates of interest.

Even during the years of relative prosperity, not all of Brazil benefited equally. Low industrial wages helped make posssible handsome profits but did very little to improve the overall lot of the urban worker. Officially, the government's position was that only sustained high industrial growth would permit improvements in the overall standard of living, bring the unemployed and underemployed into the modern sector, and begin to address the regional imbalances that have left northeastern Brazil far behind the rest of the country. Though the government did attempt to design special programs to develop the northeast, to expand social services and educational opportunities for all levels of the population, and to set up benefit programs for industrial workers, the basic premise—sustained high industrial growth—proved impossible to maintain.

The sharp rise in petroleum prices (especially after the second oil shock), the skyrocketing public deficit occasioned in part by huge development projects, and an unprecedented rise in interest rates brought the Brazilian economy to a virtual standstill. In 1981, for the first time in the living memory of most Brazilians, real GDP and GDP per capita actually fell, despite a 16% increase in exports.

In response to these developments, the government had to revamp its economic policies. In 1983 and 1984, real federal government spending, especially investment spending by state enterprises, was reduced. Income taxes were substantially increased, particularly on unearned income. Government subsidies were reduced on export and agricultural credits, petroleum, wheat, and utilities. As a result, the operational deficit of the public sector (excluding indexation of debts) fell from 6.6% of GDP in 1982 to 2.5% of GDP in 1983.

Finally, in 1984, Brazil's economy started showing signs of recovery. The agricultural sector was helped by increases in corn and soybean production and by higher world prices for coffee and orange juice concentrate. Industrial production rose about 6.7% compared with 1983. Increased oil production, a heavy demand for agricultural inputs, and a substantial rise in manufactured exports were the principal factors responsible. By the end of the year, there were even signs of an upturn in domestic demand.

The favorable economic trends of 1984 were threatened by protectionist pressures in Brazil's principal export markets, continued high inflation rates, and concern that austerity measures agreed to by the government so as to maintain Brazil's international financial standing would result in scarce and more costly credit for working capital and, therefore, reduced export competitiveness.

The outline of the new government's economic policies remains vague. During his campaign, President-elect Tancredo Neves stressed the need to reduce the role of the state in the economy (including selling off state enterprises in nonessential areas), and to reorient government investments toward social projects. He promised to try to stimulate internal economic growth and to attack inflation gradually so as not to prejudice such growth. He indicated that Brazil would continue to honor its international financial commitments, but at the same time would take a tough line in negotiations with the International Monetary Fund and Brazil's other creditors. The president-elect also talked of a "social pact" between government, management, and labor by which wage and price increases would be limited in an attempt to bring inflation under control. Following Neves' death, President Sarney pledged to implement Neves' platform.

Inflation and Financial Policy

For the past several years, Brazil has been fighting an inflationary spiral in which the inflation rate increased from 40% at the end of 1978 to a record 223% in 1984. The inflation rate in 1985 is expected to be at least as high. The primary external causes of inflation have been large increases in the price of imported oil and high world interest rates. But Brazilian Government actions, including large wage settlements, monetary expansion, deficit spending (especially by government-owned companies and state governments), and large federal subsidies, also contributed to the problem. Austerity measures put in place in the early 1980s reversed the upward trend but at the cost of a sharp economic contraction that hit industry hardest. Unemployment rose by several percentage points. Adding to the government's problem was the short-term impact on the inflation rate of actions designed to strengthen the economy in the longer run. These measures have included higher prices for gasoline to encourage conservation, removal of a broad range of price controls, and reduced consumer subsidies on such important items as wheat. Fiscal and monetary restraint were increased again in the fall of 1982 to deal with an unexpected balance of payments difficulty. By 1984, there was a substantial improvement in Brazil's external accounts, but domestic inflation remained disappointingly high.

The Brazilian Government had relied heavily on external financing for the country's economic growth. Private international banks, national export credit agencies, the World Bank, and the Inter-American Development Bank replaced U.S. bilateral assistance programs as major sources of financing for development projects. As a result of Brazil's capital growth requirements, the country's foreign debt rose rapidly and is today the largest of any developing country: $100 billion. Roughly $25 billion of this amount is held by U.S. banks. Debt service, a major part of Brazil's balance of payments, would have been $23 billion in 1985 before debt rescheduling. The rescheduling of most debts to commercial banks and official creditors will provide about $10 billion of relief in 1985.

Trade and Investment

Brazil recorded a surplus of $13 billion on the trade account in 1984. This was a substantial increase over the $6.5 million recorded in 1983 and a remarkable turnaround from the deficits of $2.8 billion in 1979 and 1980. Brazil expects a trade surplus of about $11–$12 billion in 1985, assuming stable prices for most of Brazil's primary products, continued strength in the U.S. economy, and recovery in the European market. Though manufactures constitute 60% of Brazil's exports, Brazil is the world's second largest agricultural exporter after the United States.

Under the pressure of its balance of payments problem, the Brazilian Government stepped up efforts to promote exports, particularly through maintaining a competitive exchange rate. The government also made import controls more stringent, though these were relaxed somewhat in 1984 is response to the country's growing levels of international reserves.

Foreign direct investment represents a relatively small but important part of Brazil's capital base. The stock of foreign investment and reinvestment registered with the Central Bank totaled $22.3 billion as of December 31, 1983. U.S. investment totaled $7.2 billion. Brazil has had in place, unchanged since the mid-1960s, a generally liberal policy toward foreign investment, which has been particularly effective in attracting new investment from Western Europe and Japan. The Brazilian Government has established special policies to channel investment into priority areas including petrochemicals, telecommunications, as well as the more traditional areas of minerals and capital goods. Recently, there have been major moves to reserve markets for domestic producers in certain high technology areas, with the objective of promoting domestic development.

Further Information

These titles are provided as a general indication of the material published on this country. The Department of State does not endorse unofficial publications.

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FOREIGN RELATIONS

Traditionally, Brazil has been a leader in the inter-American community and has played an important role in collective security efforts as well as in economic cooperation in the Western Hemisphere. Brazil aligned with the Allies in both World Wars and, during World War II, its expeditionary force in Italy played a key role in the Allied victory at Monte Castelo. It is a party to the Inter-American Treaty of Reciprocal Assistance (Rio treaty) and the Organization of American States (OAS). In recent years, Brazil has given high priority to expanding relations with its South American neighbors and is a founding member of the Amazon Pact and the Latin American Integration Association (ALADI), the successor to the Latin American Free Trade Association (LAFTA)

Brazil is a charter member of the United Nations and participates in many of its specialized agencies. It has contributed troops to UN peacekeeping efforts in the Middle East, the former Belgian Congo, and Cyprus.

As Brazil's domestic economy has grown and diversified, the country has become increasingly involved in international politics and economics. It is a member of the General Agreement on Tariffs and Trade (GATT), the Committee of Twenty of the International Monetary Fund (IMF), the Group of 77, the World Bank, the Inter-American Development Bank (IDB), and several international commodity agreements. The United States, Western Europe,

and Japan are major markets for Brazilian exports and sources of foreign lending and investment. Brazil's dependence on imported petroleum has resulted in more intensive political and economic ties with Middle Eastern countries. In the 1970s, Brazil expanded its relations with black African countries, with which it shares a strong cultural affinity. As an indication of Brazil's broader international role, trade with other developing countries increased from 9% of the total in the 1970s to nearly 30% in 1983.

Travel Notes

Entry Requirements: Visas are required of US citizens. No inoculations are required for entry.

Climate and clothing: In most parts of the country, days range from warm to hot, except during the rainy period from November through February. Wear spring or summer clothes.

Health: Sanitation facilities in many places are being expanded. Carefully prepared and thoroughly cooked foods are safe for consumption. Tapwater is not potable. Yellow fever, rabies, gamma globulin, typhoid, and polio shots are recommended.

Telecommunications: Telegraph and long-distance telephone services are good. Brasilia is two time zones ahead of eastern standard time.

Transportation: Direct air service is available. Rio is the normal point of entry, but Sao Paulo, Manaus, Recife, and Belem also have international flights. Intracountry air connections are expensive; trains are limited. Intercity buses run frequently and are inexpensive but crowded. Metered taxis with red license plates have relatively low rates that are raised after 11 P.M. Tipping is the same as in the US. The highway system in southeastern Brazil and as far north as Salvador is good.

The Brazilian Government has diplomatic relations with the U.S.S.R., China, and all of the East European communist countries but not with Cuba, Vietnam, Kampuchea, or North Korea.

U.S.-BRAZILIAN RELATIONS

The United States was the first country to recognize Brazil's independence in 1822. Brazil's 19th century leader, Emperor Dom Pedro II, admired Abraham Lincoln and visited the United States during the 1876 centennial. President Eisenhower was given a hero's welcome when he visited Brazil in 1960. Presidents Roosevelt and Truman made earlier visits, President Carter visited in 1978, and President Reagan in 1982.

In the 1950s and 1960s, Brazil received about $2.4 billion in U.S. economic assistance—$1.4 billion under the auspices of the U.S. Agency for International Development (AID) and the remainder under PL 480 (Food for Peace) and Peace Corps programs. In view of Brazil's impressive economic development and its increased ability to obtain loan funds and technical assistance from private and multilateral sources, U.S. assistance programs were phased out in the 1970s. Major AID activities in Brazil were terminated in 1979, and the Peace Corps program was ended in 1980.

The United States is Brazil's most important commercial partner, although the U.S. share of Brazilian trade dropped from 26% to less than 20% during the 1970s as Brazil expanded its trade with Western Europe and the developing world. In 1983, this two-way trade amounted to $7.7 billion. The growing diversification of U.S.-Brazil trade has led to trade disputes, and bilateral discussions have concerned such issues as Brazilian export subsidies and import restrictions, U.S. restrictions on certain import items, the transfer of technology, and multilateral trade and commodity questions.

The agreements between Brazil and the United States include a treaty of peace and friendship, an extradition treaty, a joint participation agreement on communication satellites, an agreement on scientific cooperation, civil aviation, and maritime agreements. Brazil and the United States exchange professors under Fulbright and other academic programs and carry out university cooperation projects.

Principal U.S. Officials

Ambassador—Diego C. Asencio
Deputy Chief of Mission—Alexander F. Watson
Economic Counselor—Paul L. Laase
Political Counselor—T. Elkin Taylor
Public Affairs Officer (USIS)—Frederic S. Mabbatt
Defense Attache—BG Clarke M. Brintnall

The U.S. Embassy in Brazil is located at Lote No. 3, Avenida das Nacoes, Brasilia, D.F. (tel. 061-223-0120, telex: 061-1091). U.S. Consulates General are found in Rio de Janeiro and Sao Paulo; Consulates are at Porto Alegre, Recife, and Salvador. In Belo Horizonte, there is a Consular officer, and a branch office of the U.S. Information Service (USIS). Consular agents are in Manaus, Sao Luis, and Belem. ■

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